

Meritage

Small Cap Value Equity

The Meritage Small Cap Value Equity strategy was established in 2008, capitalizing on the firm's conviction in quantitative methodologies to drive security selection.

At the heart of the investment approach is a multi-factor ranking process which identifies investment candidates with unsustainably low valuations and strong or improving cash flow return on investment. A qualitative overlay focuses on risk control and assures that decisions are not fully automated. The strategy's objective is to generate excess return over the Russell 2000 Value Index.

Core Beliefs

- Market inefficiencies and return opportunities are greater in small cap stocks.
- Small caps stocks provide diversification to currency exposure, geopolitical events, trade policy, and large-cap momentum driven markets.
- A systematic, factor-based security selection process is highly efficient for identifying companies that score the best across a set of pre-defined characteristics. The price paid for a security is the primary determinant of risk and return.
- A distinctive process to identify and assess investment opportunities is crucial in order to produce differentiated results.

Key Facts

Inception:	December 31, 2008
Benchmark	Russell 2000 Value
Firm AUM	\$1.7 Billion as of 6/30/2020
Total Strategy	\$4.0 million
Firm Associates	15

Meritage Small Cap Value Equity Investment Process

Small cap universe defined by market cap range

between \$150mln and \$5.0B, financial quality of C+ or better, and minimum weekly trading value of \$1mln.

6500 securities reduced to 2700

A sell discipline is primarily driven by the deterioration in a stock's multi-factor rank.

5-Yr. historical turnover approximately 75%



Multi-factor ranking process combines two independent perspectives:

1) Factor correlation that spreads across valuation, investor sentiment, business momentum and capital efficiency and 2) Intrinsic value.

Top ranked candidates (6%) form primary buy list

Qualitative assessment follows, focused on risk control with regard to portfolio diversification and sensitivity to value traps

Portfolio construction 80 – 110 securities

Portfolio Construction

- Sector diversification: Mostly sector neutral; Alpha driven primarily from security selection
- Non-U.S. holdings, including tax haven domiciles, have averaged between 5% and 10% of the portfolio since inception.
- No quant-engineered ex-ante tracking error target or risk optimization
- Cash balances are primarily frictional
- Portfolio characteristics controlled within ranges relative to benchmark
- Top ten holdings will typically not exceed 15% of portfolio value

Meritage Small Cap Value Equity Performance

Calendar Year Returns (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Meritage Small Cap Value Equity Gross	23.3	-11.4	9.6	25.2	1.8	8.9	37.5	18.0	-2.5	22.5
Meritage Small Cap Value Equity Net¹	22.2	-12.2	8.7	24.1	0.9	7.9	36.3	17.0	-3.4	21.5
Russell 2000 Value Index	22.4	-12.9	7.8	31.7	-7.5	4.2	34.5	18.1	-5.5	24.5

Annualized Returns (%)

Periods Ending 6/30/2020

	QTR*	1 Year	3 Years	5 Years	10 Years
Meritage Small-Cap Value Equity Gross	12.6	-18.5	-4.0	2.7	9.6
Meritage Small-Cap Value Equity Net¹	12.4	-19.2	-4.9	1.8	8.6
Russell 2000 Value Index	18.9	-17.5	-4.4	1.3	7.8

*Unannualized results.

¹ The standard Meritage small cap fee of 0.875%/year is modeled into results. Fee breaks at higher asset levels are not reflected.

Consistency of Returns

Rolling 3-Year Periods vs. Russell 2000 Value Index
Exceeds benchmark 86% of periods
 For Periods 12/31/2008 to 6/30/2020

Performance figures gross of fee. This information is presented as supplemental information to the GIPS Composite Report included at the end of this presentation.

◆ Meritage — Russell 2000 Value Index



Meritage Small Cap Value Equity Portfolio

Period Ending 6/30/2020

Sector Diversification (%)

	Strategy	Index
Energy	1.5	4.4
Materials	7.3	5.3
Industrials	13.1	15.9
Consumer Discretionary	7.7	10.9
Consumer Staples	4.4	3.5
Health Care	4.5	6.2
Financials	23.8	28.7
Information Technology	14.4	6.2
Communication Services	0.8	2.4
Utilities	4.4	5.3
Real Estate	9.3	10.6
Market ETFs	8.7	0.0

Top Ten Holdings (%)*

Nova Measuring Instruments	2.4
Helen of Troy	1.8
Idacorp Inc	1.7
Rocky Brands	1.7
Cirrus Logic	1.5
Trinet Group	1.4
PS Business Parks	1.4
Community Healthcare Trust	1.4
Corcept Therapeutics	1.4
Maximus	1.4

*Not including periodic use of sector/market ETFs

This information is presented as supplemental information to the GIPS Composite Report included at the end of this presentation. Portfolio information is for a representative account.

Portfolio Characteristics

	Strategy	Index
Risk (5-Yr Beta)	0.88	1.00
Price/Oper Earnings	18.6	18.0
Price/Cash Flow	10.8	10.3
CFROI	9.0	6.5
5 Yr Earnings Growth Est	7.9	7.3
Non-U.S. Holdings (%)	8.7	3.2
Dividend Yield (%)	2.0	2.3
MPM Value Score	29	48
Wghtd Avg Mkt Cap (\$bil)	2.4	1.7
Median Mkt Cap (\$bil)	1.6	0.5

Market Cap Distribution (%)

	Strategy	Index
> \$3 Billion	31	14
\$1 - \$3 Billion	36	56
< \$1 Billion	33	30

Why the Meritage Small Cap Value Equity Strategy?

Having a process to make decisions is the first criteria of what distinguishes successful investors

- Strong results and attractive historical risk characteristics as measured by Sharpe Ratio and Upside/Downside figures
- Relative value approach focusing on strong cash flow returns and financial soundness
- Single decision maker since the strategy's inception, supported by a seasoned and stable Investment Team
- Competitive fee

Fee Schedule (%)	
\$1,000,000 to \$2,500,000	0.875
\$2,500,000 to \$5,000,000	0.750
\$5,000,000 to \$10,000,000	0.625
\$10,000,000 and above	0.500

Meritage Small Cap Value Equity Investment Team



Sharon L. Divine, CFA
Principal, Senior Portfolio Manager
and Director of Quantitative Research

Sharon is a Principal and serves as co-manager of the Meritage Value Equity strategy and lead manager of the Meritage Small Cap Value Equity strategy since the style's inception. She leads the development of the quantitative aspects of the firm's equity investment process and serves as a primary contact for many of the firm's clients. Sharon has over 30 years of investment experience in portfolio management and investment analysis.

Sharon received her B.B.A. with emphasis in Computer Science and M.B.A in Finance from the University of Missouri-Kansas City with Honors.



Mark E. Eveans CFA, CIC
President, Chief Investment Officer,
Senior Portfolio Manager

Mark is a founding member of Meritage. He serves as the lead manager of the Meritage Value Equity strategy, supports the Yield-Focus and Small Cap Value Equity strategies and drives the firm's overall investment philosophy. Mark has over 40 years of experience managing institutional and private portfolios, preceded by four years as an institutional security analyst. In addition to Mark's portfolio management leadership, he is a primary contact to many of the firm's institutional and private clients. Mark is a past president of the Kansas City Society of Financial Analysts and former member of the national Board of Governors of the Investment Advisors Association, our industry's leading trade association. He received his B.B.A. and M.S.A. in Finance from Wichita State University with Honors.



John M. Wallis, CFA
Director of Qualitative Research

John leads the qualitative analysis component of the firm's equity investment process. He also manages the firm's macroeconomic environment analysis. John has 25 years of institutional experience in portfolio management, publicly traded security analysis and private investment analysis.

John has a B.S. degree from Arizona State University and an M.B.A. in Finance from Avila University, Kansas City, Missouri.

Meritage Small Cap Value Equity

GIPS Composite Report



Meritage Small Cap Value Equity Returns				Annualized Ex-Post		Composite Assets			
Year Ending	Total Gross Asset-Wtd.	Total Net Asset-Wtd.	R2000V* Benchmark	Gross Composite 3-Yr St Dev	Benchmark 3-Yr St Dev	Number of Portfolios	Asset-Wtd. Internal Dispersion	End of Period (MM)	Firm Assets (Mln)
12/31/10	22.5%	21.5%	24.5%	<3 Years	<3 Years	<6	N/A ¹	0.2	932.5
12/31/11	-2.5%	-3.4%	-5.5%	22.10%	26.05%	<6	N/A ¹	0.2	935.1
12/31/12	18.0%	17.0%	18.1%	17.81%	19.89%	<6	N/A ¹	0.2	1,113.1
12/31/13	37.5%	36.3%	34.5%	15.49%	15.82%	<6	N/A ¹	0.2	1,305.0
12/31/14	8.9%	7.9%	4.2%	11.55%	12.79%	<6	N/A ¹	0.2	1,593.3
12/31/15	1.8%	0.9%	-7.5%	11.56%	13.46%	<6	N/A ¹	0.3	1,528.3
12/31/16	25.2%	24.1%	31.7%	12.26%	15.50%	<6	N/A ¹	0.3	1,513.8
12/31/17	9.6%	8.7%	7.8%	11.17%	13.98%	<6	N/A ¹	0.4	1,646.6
12/31/18	-11.4%	-12.2%	-12.9%	13.53%	15.76%	6	N/A ¹	2.9	1,530.2
12/31/19	23.3%	22.2%	22.4%	14.96%	15.68%	10	0.09%	5.1	1,810.4

N/A¹ - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

Composite Description:

The Meritage Small Cap Value Equity composite is an actively managed small-cap value equity strategy that evaluates companies with capitalization levels within the small cap parameters set by the Russell 2000 index and is driven by Meritage's value-centric quantitative process. Portfolio holdings have unsustainably low valuations and strong improving cash flow/return on investment criteria. The Manager combines experienced-based qualitative fundamental analysis with the firm's proprietary multi-factor models. The benchmark is the Russell 2000 Value index.

Benchmark Description:

The Russell 2000 Value index is a market-cap weighted index and measures the performance of the small-cap value segment of the U.S. equity universe.

Definition of the Firm:

Meritage Portfolio Management is an independent investment management firm that is not affiliated with any parent organization.

Basis for Composites:

Meritage Portfolio Management's Small Cap Value Equity Composite, created on December 31, 2008, is composed of managed, fully discretionary accounts managed in the Meritage Small Cap Value Equity strategy. The composite inception date is 12/31/2008. From inception through June 30, 2018 all accounts in the composite were non-fee-paying. As of December 31, 2018, 11.7% of the assets in the Small Cap Value Equity composite were non-fee paying. As of December 31, 2019, 8.2% of the assets in the Small Cap Value Equity composite were non-fee paying.

Fees:

Returns are presented gross and net of management fees. Gross-of-Fees performance returns are presented before management fees. Net-of-Fees performance returns are calculated by deducting Meritage Portfolio Management's standard fee rates from the gross composite return on a monthly frequency. This produces a compounding effect on the total rate of net return. Other fees reflected in both gross and net returns include withholding taxes. Withholding taxes on foreign-

Meritage Small Cap Value Equity GIPS Composite Report

based investments have been deducted from both gross and net performance, contingent on how the withholding information is received from the firm's independent third party pricing source. Once withholding tax information is received from the custodian, performance is trued up to be consistent with what the custodian withheld.

Meritage Portfolio Management's standard fee schedules are as follows:

For Equity Strategy Composites the standard fees are: 0.875% on the first \$2,500,000; 0.75% on the next \$2,500,000; 0.625% on the next \$5,000,000; and 0.50% on assets over \$10,000,000.

Actual investment management fees incurred by clients may vary.

Calculation Methodology:

Returns from cash and cash equivalents held in portfolios are included in total return calculations. Total return includes realized and unrealized gains and losses, plus reinvestment of income. Gross-of-Fees returns are calculated before the deduction of investment management fees and after the deduction of direct trading expenses. Net-of-Fees returns are calculated after the deduction of Meritage Portfolio Management's standard investment management fee rates and direct trading expenses. Both gross-of-fees and net-of-fees returns are calculated after or before the deduction of withholding taxes on foreign dividends, contingent on how the withholding tax information is received from our independent third party pricing source. Accounts may be subject to customized commission schedules.

Policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request. Past performance is no guarantee of future results.

Currency:

Returns are calculated and presented in U.S. dollars.

eVestment universe returns, benchmark indices and related statistics are presented gross-of-fee.

A complete list and description of Meritage Portfolio Management's composites is available upon request.

Meritage Portfolio Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Meritage Portfolio Management has been independently verified for the periods December 31, 2000 through December 31, 2019.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Meritage Small Cap Value Equity composite has had a performance examination for the periods December 31, 2008 through December 31, 2019. The verification and performance examination reports are available upon request.

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*Russell 2000 Value Index



Meritage Portfolio Management is an institutionally based investment management firm, providing asset management and wealth management services for individuals, families, foundations, corporations and qualified retirement plans. The firm manages \$1.7 billion in assets for local, regional, and national clients from its base in Overland Park, Kansas.

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